

Child Care Demand and "Kiddie Mac"

Testimony before Congressional Field Hearing on "Kiddie Mac" Legislation

Kathleen Grimm
State Deputy Comptroller for New York City

October 8, 1999

My name is Kathleen Grimm. I am the State Deputy Comptroller for New York City, and I am here on behalf of New York State Comptroller H. Carl McCall. Comptroller McCall regrets that he is not able to be here himself and sends his greetings.

Good Morning Congresswoman Maloney and members of the House Banking Subcommittee on Capital Markets, Securities, and Government Sponsored Enterprises. Thank you for the opportunity to appear at this hearing on the challenges facing child-care providers--an issue of great importance to us all. I will address a subset of this issue: Is New York City's subsidized child-care system adequate in light of welfare reform?

As many of you may know, the Office of the State Deputy Comptroller for New York City (OSDC) monitors New York City. We collect and analyze relevant data, and issue Comptroller McCall's reports on the City's budget and economy, and other public policy issues. One of the areas that Comptroller McCall is very concerned about is welfare reform and, in particular, its impact on child-care services.

In December 1997, the Comptroller issued a report titled *Child Care Services in New York City*. The report describes a system that--although already stressed--faced a large influx of children. Under Federal welfare reform, these children required child-care services while their parents fulfilled new work and training requirements. Most of these children are parented by single mothers. Federal regulations require that child care be provided for children up to six years of age as a precondition of their parents' participation in work programs. Augmenting this provision, New York State has opted to provide child care to all such children through 12 years of age.

Our report concluded that the demand for child care could nearly double as a result of welfare reform. To meet that increased demand, the City made a policy decision to offer vouchers to parents to pay for informal care, which is defined as child care provided by family or neighbors. It has been widely reported that the Human Resources Administration strongly encourages parents transitioning from welfare to the workforce to use informal care.

Such sources of care are less expensive than formal group and family care centers. Moreover, informal care puts no stress on the City's already overtaxed group and family child-care facilities. The City chose to institute this use of vouchers in lieu of expanding its current network of group and family centers.

The voucher system addresses, but does not solve, a critical problem the City faces in delivering child care. The children of welfare recipients receive priority over those of low-income families for day-care slot openings. If the transitioning parents were to choose City-subsidized slots in the formal day-care system, the City would have to increase the size of its child-care program to keep intact its provision of care to the children of lower-income working parents. Absent such an increase, those children would be displaced from the City's child-care delivery programs.

New York City's child-care system faces challenging obstacles. At a time when the demand for subsidized child care is rapidly growing, the supply of slots in licensed and monitored child-care facilities is not growing.

At the close of FY 1999, according to the City's latest Mayor's Management Report, the City's Administration for Children's Services was providing subsidized child care for about 72,000 children--about the same number as two years ago. The system continues to operate at full capacity, with virtually every available slot filled. The waiting list, however, has nearly tripled: from 20,000 to 55,000.

Currently, the majority of the children receiving subsidized care--about 48,000--are enrolled in **group child care** centers. These facilities offer full day, year-round care for children from six weeks to six years of age. Some of the centers also run after-school programs for school-age children up to age 13. Most centers are run by community-based organizations that are licensed, inspected, and staffed with certified early-childhood teachers. The waiting list for openings in group centers names 13,000 children.

An additional 9,000 children are enrolled in **family child care**, which takes place in the homes of providers who are registered and inspected by the City. A single provider cares for up to six children whose ages can range from six weeks to 13 years; larger operations, called group family care centers, care for up to 14 children and have more than one provider. Over 4,000 children are waiting for family child-care openings.

Another 14,000 children obtain care through the **voucher** system which I discussed earlier. The City issues vouchers when there are no available child-care centers near the home or workplace of an eligible family or when nearby centers do not have openings. The vouchers can be used either for placements at privately operated facilities or for the purchase of

informal care that is provided by a relative, friend, or neighbor. About 38,000 children are waiting for vouchers. Thus, in total, 55,000 children await child-care placements. This figure does not include thousands of children whose parents are too discouraged to apply for City-subsidized child care.

The Administration for Children's Services has contracts with more than 300 group and family child care providers at more than 400 sites that provide services. Most sites are owned and operated by not-for-profit providers; others are leased by the City from private landlords and operated by not-for-profit providers; and a few centers are City-owned. Most of the centers are fully subsidized by the Administration for Children's Services. There are also some independent providers who allot a portion of their slots to the City.

In addition to the activities of the Administration for Children's Services, the Human Resources Administration provides child care for clients who are moving from welfare to either work or training. The parents receive stipends that are commonly used to purchase informal child care. While informal care may be a suitable option for many families, it has drawbacks: it is unregulated and unmonitored.

This is not an optimal solution, but what is to be done? With no growth in the number of group and family care slots in the City-subsidized system; with long and growing waiting lists for those slots; and with the City opting not to increase the number of slots, how will the demand for subsidized child care be met?

The Children's Development Commission Act--known as Kiddie Mac--can turn this situation around.

By creating the Children's Development Commission, Congress would provide a mechanism to stimulate the production of new child-care slots--nationwide AND IN NEW YORK CITY.

- **Guaranty insurance**, sold through HUD, would encourage private lenders to grant market-rate construction financing to current and would-be providers to build, renovate, or expand facilities that can address both current and future need.
- Kiddie Mac **loans** to qualifying providers would help defray start-up costs, rent payments, and improvements that might be needed to meet licensing standards.
- Reasonably priced **liability and fire insurance** would help child-care facilities reduce operating costs, thus facilitating their ability to meet safety code requirements.

Given the need for adequate child-care facilities, the creative use of available resources is essential. If parents cannot find dependable child-care placements, the objectives of welfare reform will be undermined.

Kiddie Mac is a creative approach. Serving as a catalyst for private-sector participation, it could play a very useful role in expanding the City's capacity to provide affordable, safe, and reliable child care for the families that require it. Comptroller McCall enthusiastically support the concept and the legislation.



NEWS

From the Office of the New York State Comptroller

H. Carl McCall

CONTACT: Dennis Tompkins/ Joan Lebow
(518) 474-4015 (212) 681-4825

FOR RELEASE: Immediate
October 8, 1999

MC CALL ISSUES TESTIMONY IN SUPPORT OF KIDDIE MAC TO CREATE MORE CHILD CARE OPTIONS

New York State Comptroller H. Carl McCall today submitted testimony stating his strong support for the Children's Development Commission Act, a new federal program that would help stimulate the creation of needed child care facilities in New York and throughout the nation.

The program, under consideration by Congress and commonly known as "Kiddie Mac," was the focus of a Congressional Field Hearing in New York City regarding the demand for child care in the wake of welfare reform.

"With no growth in the number of group and family care slots in the City subsidized system; with long and growing waiting lists for those slots; and with the City opting not to increase the number of slots, how will the demand for subsidized child care be met? Kiddie Mac can turn this situation around," McCall said in his testimony.

"Kiddie Mac is a creative approach that could play a very useful role in expanding the City's capacity to provide affordable, safe and reliable child care for the families that require it," McCall said.

The Comptroller's December 1997 report titled *Child Care Services in New York City* described an overtaxed system of child care services and concluded demand could nearly double due to welfare reform.

In New York City, 58,000 children are enrolled in family and group day care, with another 17,000 awaiting openings in these settings. Another 14,000 children obtain care through the voucher system and about 38,000 children are waiting for vouchers. In total, 55,000 children await child care placements. This figure does not include children whose parents are too discouraged to apply for City subsidized care. Kiddie Mac could help greatly in the desperate need for more child care here in New York and across the country," McCall said.

###

*Comptroller McCall's reports are available on his web site **www.osc.state.ny.us***

Albany Phone: (518) 474-4015 Fax: (518) 473-8940
NYC Phone: (212) 681-4825 Fax: (212) 681-4468
Internet: <http://www.osc.state.ny.us>
E-Mail: press@osc.state.ny.us